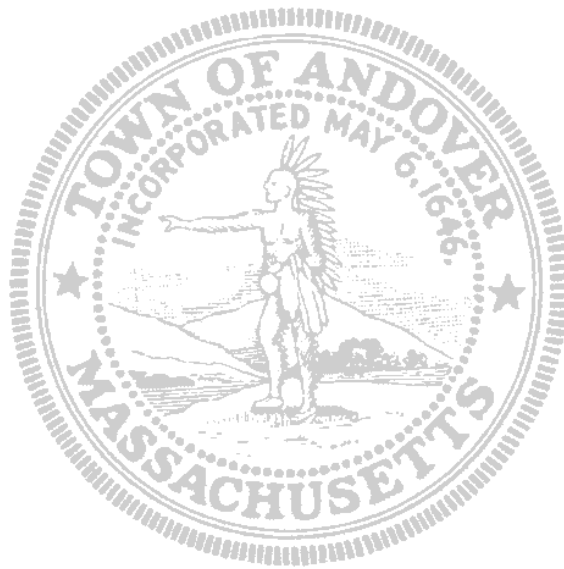


TOWN OF ANDOVER

BUDGET REFERENCE

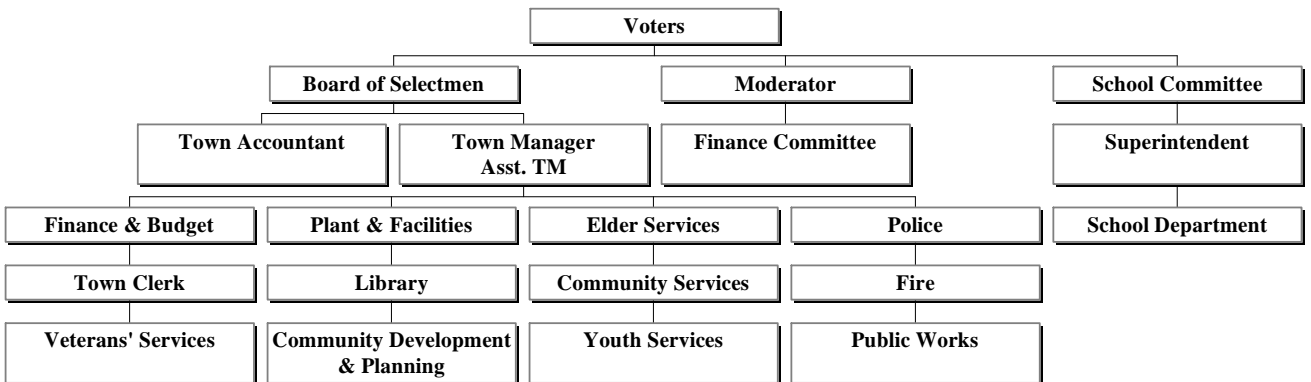
INFORMATION



FY2004

TOWN MEETING APPROVED

TOWN OF ANDOVER



BUDGET PROCESS

The Town of Andover operates under state statutes, locally adopted by-laws, and a Town Charter (Chapter 571 of the Acts of 1956, as amended). The Charter establishes a Selectmen/Town Manager/Open Town Meeting form of government. The five-member Board of Selectmen are according to the Charter "The Makers of policy of the Town Government" (Section 1 - Board of Selectmen), and the Town Manager serves as the Chief Administrative Officer (Section 10 - Powers and Duties).

Financial projections are prepared as part of the Capital Improvement Program for the upcoming fiscal year by the middle of September. These projections are discussed in joint planning sessions with the Strategic Planning Task Force (members of the Board of Selectmen, School Committee and Finance Committee). The projections assist in establishing budget preparation guidelines. In November, the Town Manager distributes his budget guidelines and worksheets to all departments for the next fiscal year starting July 1st. Departments prepare their budget requests and return all information to the Finance Director and Town Manager by early winter. During January they meet with department heads to discuss requests.

The Charter requires the Town Manager to submit his recommended budget to the Board of Selectmen and Finance Committee (Section 15 - Estimate of Expenditures). Town By-law, Article IV, Section 6, stipulates that the annual budget shall be submitted to those bodies on or before the first Friday of February of each year.

During the months of February and March the Board of Selectmen and Finance Committee conduct a joint series of public meetings to review and discuss the departmental budgets. These meetings are open for questions from the public. Meeting notices are posted at least 48 hours in advance and the schedule is posted in the local newspaper and on the local government channel 22. The Finance Committee responsibilities are described in Town By-laws Article III, Section 3 (Composition; term of office; powers and duties). The Town Meeting voters are advised on all financial matters by a nine member Finance Committee appointed by the Town Moderator who is elected each year.

BUDGET APPROPRIATION AND AMENDMENT

The legislative body of the Town is an "open town meeting." All registered voters are entitled to attend and vote on any matter that comes before the Town Meeting. Town Meeting has the authority to appropriate funds for the operating and capital budget except for specific cases where state statutes or regulations do not require appropriation. Any amendments to appropriations require Town Meeting vote at either a regular or special town meeting. (Massachusetts General Laws, Chapter 40, Section 5). The procedures for a town meeting are specified in Town By-laws Article II. The Town Meeting warrant (items to be voted on) is published in the local newspaper at least 14 days before the day of the town meeting.

The Finance Committee mails the warrant and its report and recommendations to all households at least 10 days prior to the Annual Town Meeting.

At Town Meeting, reports and recommendations are presented by the Board of Selectmen, Finance Committee, Planning Board, and other interested parties. Town Meeting votes and appropriates the budget and all other financial articles presented at a town meeting.

BUDGET BASIS

The budget for the Town is presented on a cash basis. This means that transactions are recorded when expenditures are disbursed and when revenues are received. Obligations of the town (i.e., outstanding purchase orders) are not reflected as expenditures in the year incurred but are reflected in the year disbursed. Funds for these obligations are reflected as "continued" appropriations from the prior fiscal year.

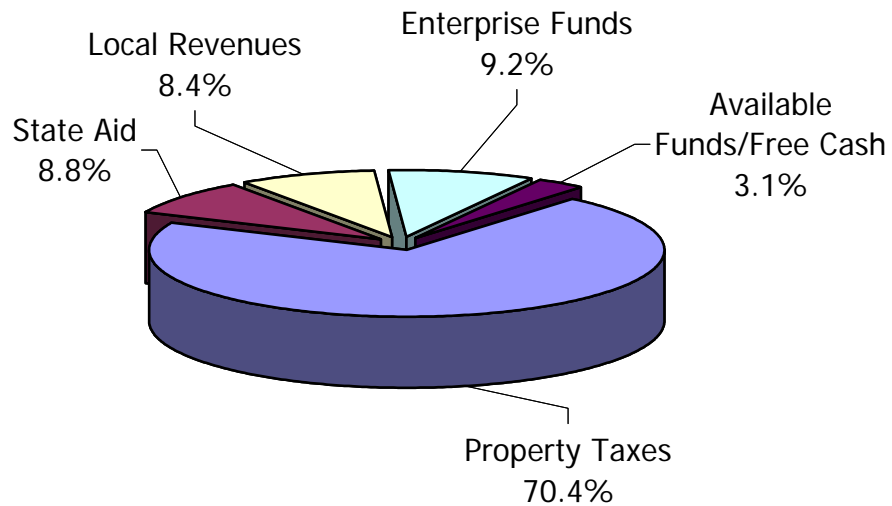
The budget presents only the General Fund and the Enterprise Funds, which are required by state statute to be appropriated by Town Meeting. Revenues from various Special Revenue Funds are shown as credits within specific department budgets to provide a funding source for specific purposes.

BUDGET PROCESS

BUDGET SCHEDULE

| | | |
|---|---|---|
| September - October | Pre-budget Planning: Financial forecast and Capital Improvement Program prepared and distributed to Selectmen, Finance Committee and School Committee. Strategic Planning Task Force holds planning meetings. | |
| November - January | All Town departments submit budget requests to the Town Manager. | All School departments submit budget request to the Superintendent of Schools. |
| January | Town Manager reviews budget requests and submits his recommended annual budget (this document) to the Board of Selectmen and the Finance Committee. | School Superintendent review budget requests and submits her recommended budget to the Town Manager and School Committee. |
| February - April | Board of Selectmen and Finance Committee Review Town Manager's Proposed Budget and CIP. | School Committee and Finance Committee review Superintendent's Preliminary Budget. |
| April | Final Board of Selectmen, Finance Committee and Town Manager recommendations are published and sent to all households in Andover. | School Committee finalizes recommendations and submits them for inclusion in the Finance Committee Report. |
| Ten days before first Town Meeting business session | Finance Committee report, including Town Meeting Warrant, mailed to all Andover households ten days prior to the start of Town Meeting. | |

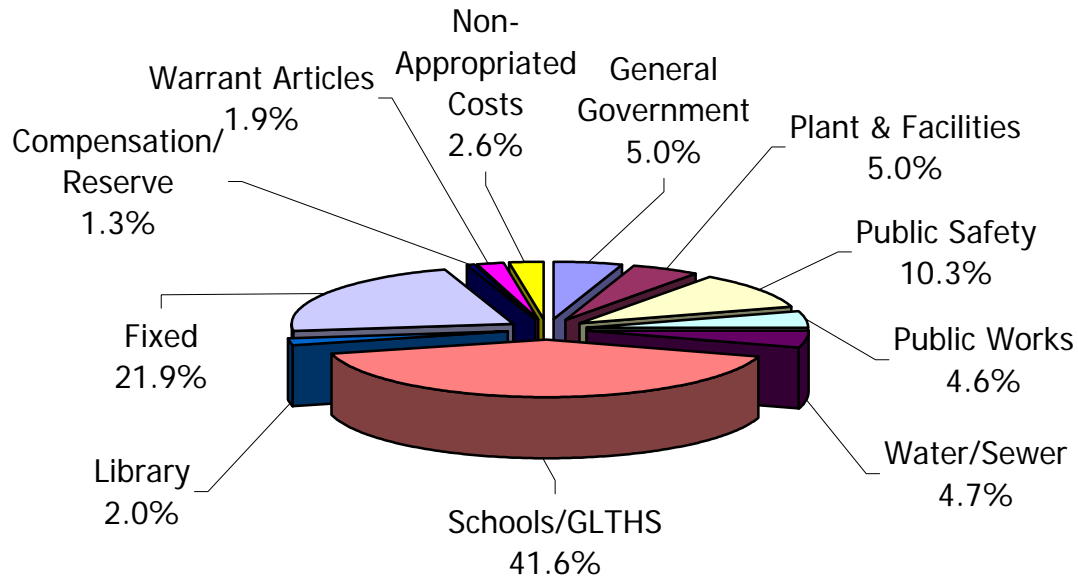
WHERE THE MONEY COMES FROM FY2004



FINANCE COMMITTEE REPORT - FY2004

| | |
|---------------------------|--------------------|
| Property Taxes | \$79,567,031 |
| State Aid | \$9,972,876 |
| Local Revenues | \$9,526,000 |
| Enterprise Funds | \$10,357,502 |
| Available Funds/Free Cash | <u>\$3,558,014</u> |
| | \$112,981,423 |

WHERE THE MONEY GOES FY 2004

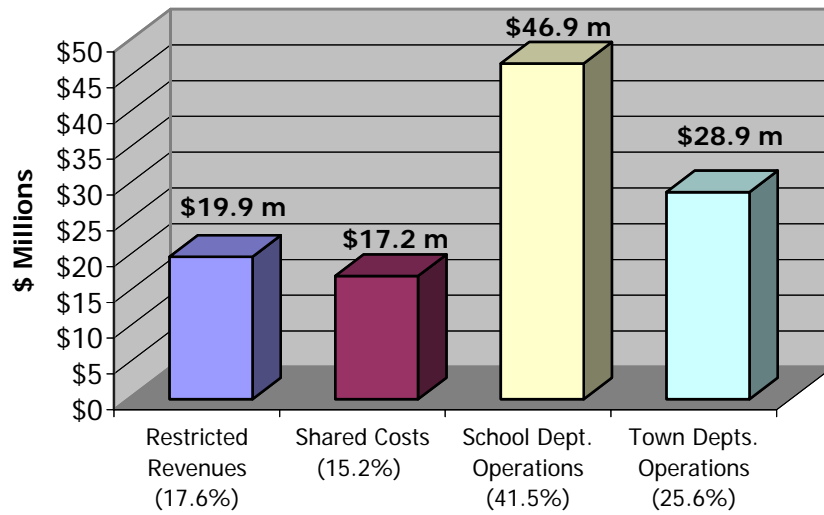


FINANCE COMMITTEE REPORT - FY2004

| | |
|------------------------|--------------------|
| General Government | \$5,666,086 |
| Plant & Facilities | \$5,603,861 |
| Public Safety | \$11,628,594 |
| Public Works | \$5,224,190 |
| Water/Sewer | \$5,333,411 |
| Schools/GLTHS | \$47,005,068 |
| Library | \$2,231,196 |
| Fixed | \$24,695,842 |
| Compensation/Reserve | \$600,000 |
| Warrant Articles | \$2,112,000 |
| Non-Appropriated Costs | <u>\$2,881,175</u> |
| | \$112,981,423 |

Andover's FY2004 Budget

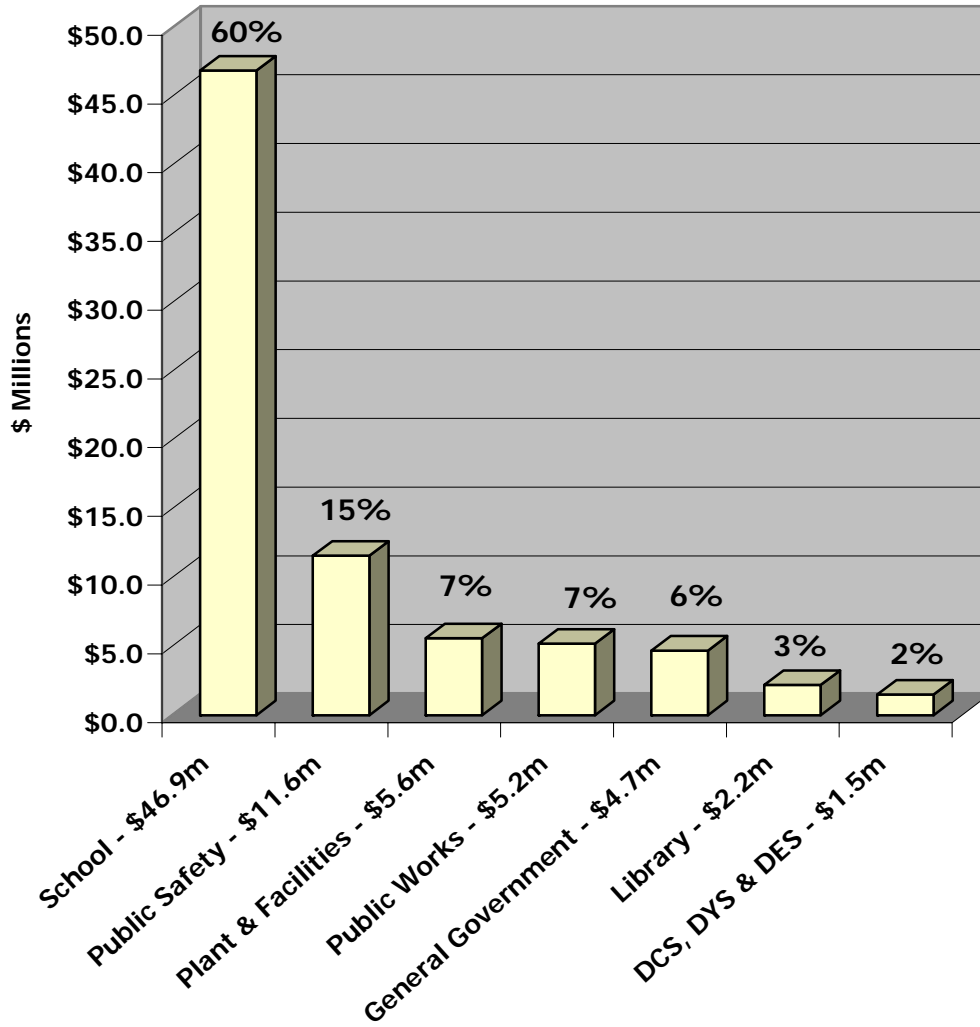
\$112,981,423



Departmental Budgets - FY2004

\$77.7 Million

(Including Offset Revenues)



BUDGET PLANNING MODEL FY2005 - FY2009 (As of 11/25/03)

| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 | |
|--|--------------|------------------|------------------|------------------|------------------|------------------|---|
| | <u>Final</u> | <u>Projected</u> | <u>Projected</u> | <u>Projected</u> | <u>Projected</u> | <u>Projected</u> | <u>ASSUMPTIONS</u> |
| <u>REVENUES</u> | | | | | | | |
| <u>PROPERTY TAXES</u> | | | | | | | |
| Prior year Tax Levy Limit | 72,287,345 | 75,252,414 | 78,333,724 | 81,492,067 | 84,729,369 | 88,047,603 | Beginning Tax Levy Limit |
| 2.5% Increase | 1,807,184 | 1,881,310 | 1,958,343 | 2,037,302 | 2,118,234 | 2,201,190 | |
| General Override | 0 | 0 | 0 | 0 | 0 | 0 | |
| Certified New Growth | 1,157,885 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | 1,200,000 | Estimate of new growth |
| Excess Tax Levy Capacity | (752) | 0 | 0 | 0 | 0 | 0 | No excess levy capacity |
| TOTAL | 75,251,662 | 78,333,724 | 81,492,067 | 84,729,369 | 88,047,603 | 91,448,793 | |
| <u>ADDITIONAL PROP 2 1/2 PROPERTY TAXES</u> | | | | | | | |
| Debt Service Exclusion (Existing) | 5,291,183 | 4,964,627 | 4,819,977 | 4,742,092 | 4,609,904 | 4,459,254 | |
| Debt Service Exclusion estimate (To be borrowe | 517,000 | 620,000 | 1,152,000 | 2,391,000 | 2,042,000 | 1,993,000 | Estimate of additional exempt debt service |
| less Adjustment from prior year | (19,802) | | | | | | |
| Less State Reimbursement | (1,875,703) | (1,894,649) | (1,894,649) | (3,289,830) | (3,289,830) | (3,289,830) | State aid for AHS,South and Sanborn. Elem/Middle in FY2007 (projected) |
| TOTAL | 3,912,678 | 3,689,978 | 4,077,328 | 3,843,262 | 3,362,074 | 3,162,424 | |
| <u>STATE AID</u> | | | | | | | |
| Chapter 70 Education Aid | 4,945,356 | 4,450,000 | 4,450,000 | 4,450,000 | 4,450,000 | 4,450,000 | 10% reduction |
| Chapter 70 Education Aid for Regional Schools | 0 | 0 | 0 | 0 | 0 | 0 | |
| School Transportation & State Ward Reimb | 0 | 0 | 0 | 0 | 0 | 0 | |
| School Construction Reimb SBAB | 1,875,703 | 1,894,649 | 1,894,649 | 3,289,830 | 3,289,830 | 3,289,830 | State aid for new schools delayed until FY2007 |
| Transitional Local Aid Mitigation | 0 | 0 | 0 | 0 | 0 | 0 | |
| Reserve for Direct Expenditures | 55,531 | 55,531 | 55,531 | 55,531 | 55,531 | 55,531 | |
| Other General Government Aid | 745,759 | 745,759 | 745,759 | 745,759 | 745,759 | 745,759 | |
| Lottery | 1,576,354 | 1,420,000 | 1,420,000 | 1,420,000 | 1,420,000 | 1,420,000 | 10% reduction |
| TOTAL | 9,198,703 | 8,565,939 | 8,565,939 | 9,961,120 | 9,961,120 | 9,961,120 | |
| <u>GENERAL LOCAL REVENUES</u> | | | | | | | |
| Motor vehicle Excise | 4,567,000 | 4,800,000 | 5,040,000 | 5,292,000 | 5,556,600 | 5,834,430 | Collected by departments , not reserved for special purposes |
| Licenses/Permits | 1,220,000 | 1,220,000 | 1,220,000 | 1,220,000 | 1,220,000 | 1,220,000 | |
| Penalties/Interest | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | |
| Fines | 415,000 | 415,000 | 415,000 | 415,000 | 415,000 | 415,000 | |
| General Government | 305,000 | 305,000 | 305,000 | 305,000 | 305,000 | 305,000 | |
| Fees | 76,000 | 76,000 | 76,000 | 76,000 | 76,000 | 76,000 | |
| Schools | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | 30,000 | |
| Investment Income | 413,000 | 413,000 | 413,000 | 413,000 | 413,000 | 413,000 | |
| Hotel/Motel Excise | 862,000 | 905,000 | 950,250 | 997,763 | 1,047,651 | 1,100,033 | |
| Library | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | 21,000 | |
| Cemetery | 43,000 | 43,000 | 43,000 | 43,000 | 43,000 | 43,000 | |
| Miscellaneous | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | |
| TOTAL | 8,254,000 | 8,530,000 | 8,815,250 | 9,114,763 | 9,429,251 | 9,759,463 | |
| <u>OFFSET LOCAL REVENUES</u> | | | | | | | |
| Community Services | 507,000 | 507,000 | 507,000 | 507,000 | 507,000 | 507,000 | Reserved for direct expenditure within department budgets |
| Elder Services | 162,000 | 162,000 | 147,010 | 147,010 | 147,010 | 147,010 | |
| Municipal Facilities | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | 100,000 | |
| Police Grants | 50,000 | 50,000 | 13,000 | 13,000 | 13,000 | 13,000 | |
| Police Off-Duty Fee | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 | |
| Medicaid Reimbursement | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | 40,000 | |
| Ambulance | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | |
| TOTAL | 1,619,000 | 1,619,000 | 1,567,010 | 1,567,010 | 1,567,010 | 1,567,010 | |
| <u>ENTERPRISE FUNDS INDIRECT COSTS</u> | | | | | | | |
| Indirect Costs to General Fund | 1,299,327 | 1,262,473 | 1,330,800 | 1,403,062 | 1,479,511 | 1,560,411 | From Water and Sewer Enterprise Fund |
| TOTAL | 1,299,327 | 1,262,473 | 1,330,800 | 1,403,062 | 1,479,511 | 1,560,411 | |
| <u>OTHER AVAILABLE FUNDS</u> | | | | | | | |
| Off-Street Parking Fund (Operating Budget) | 79,707 | 79,707 | 79,707 | 79,707 | 79,707 | 79,707 | Reserved for direct expenditure within department budgets |
| Off-Street Parking Fund (Capital Projects) | 0 | 0 | 0 | 0 | 0 | 0 | |
| Stabilization Fund | 0 | 0 | 0 | 0 | 0 | 0 | |
| Cemetery interest/lots | 155,000 | 155,000 | 155,000 | 155,000 | 155,000 | 155,000 | |
| CD&P Grants/Wetland fees | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | |
| Bond Premium reserved for debt service | | | | | | | |
| Warrant Article Balances | 433,725 | 0 | 0 | 0 | 0 | 0 | |
| TOTAL | 674,432 | 240,707 | 240,707 | 240,707 | 240,707 | 240,707 | |
| <u>FREE CASH</u> | | | | | | | |
| Capital Projects Article | 0 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | |
| Operating budget | 1,205,307 | 1,000,000 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 support for the operating budget + \$700,000 for unemployment costs |
| Other Articles | 1,649,775 | 300,000 | 300,000 | 300,000 | 300,000 | 300,000 | Estimate of other town and/or private warrant articles |
| TOTAL | 2,855,082 | 1,600,000 | 900,000 | 900,000 | 900,000 | 900,000 | |
| * GRAND TOTAL REVENUES * | 103,064,884 | 103,841,821 | 106,989,101 | 111,759,293 | 114,987,276 | 118,599,928 | |
| INCREASE OVER PRIOR YEAR | 3.20% | 0.80% | 3.00% | 4.50% | 2.90% | 3.10% | |

BUDGET PLANNING MODEL FY2005 - FY2009 (As of 11/25/03)

| | FY2004 | FY2005 | FY2006 | FY2007 | FY2008 | FY2009 |
|--|------------------|------------------|------------------|------------------|------------------|--|
| | <u>Final</u> | <u>Projected</u> | <u>Projected</u> | <u>Projected</u> | <u>Projected</u> | <u>Projected ASSUMPTIONS</u> |
| <u>EXPENDITURES</u> | | | | | | |
| <u>OBLIGATIONS</u> | | | | | | |
| Retirement | 3,658,024 | 3,730,000 | 3,841,308 | 3,954,638 | 4,073,384 | 4,151,752 <i>Based on 2002 actuarial study and PERAC requirements</i> |
| Insurance/Unempl Comp | 1,236,000 | 1,430,000 | 751,900 | 774,457 | 797,691 | 821,621 <i>Early estimate of insurance renewals & unemployment compensation</i> |
| Health insurance | 6,975,000 | 8,370,000 | 10,044,000 | 11,048,400 | 12,153,240 | 13,368,564 <i>Assumes level enrollment, rate and claims increase 20% FY05</i> |
| State/County Assmts. | 1,399,844 | 1,435,000 | 1,470,875 | 1,507,647 | 1,545,338 | 1,583,971 |
| Overlay | 703,742 | 700,000 | 735,000 | 771,750 | 810,338 | 850,854 <i>Reserve for tax exemptions/abatements</i> |
| GLTHS | 90,348 | 90,000 | 92,250 | 94,556 | 96,920 | 99,343 |
| Regional Library | 340,000 | 306,000 | 275,400 | 275,400 | 275,400 | 275,400 |
| Stabilization Fund | 0 | 0 | 0 | 0 | | |
| Special Education out of district | 4,828,634 | 5,566,000 | 6,122,600 | 6,734,860 | 7,408,346 | 8,149,181 <i>Proj FY04 expend \$4,840,000 plus 15%</i> |
| Reserve for Direct Expenditures | 55,531 | 60,000 | 60,000 | 60,000 | 60,000 | 60,000 |
| Other Local Expenditures | <u>20,126</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> | <u>300,000</u> <i>Reserve for overlay/other deficits</i> |
| TOTAL | 19,307,249 | 21,987,000 | 23,693,333 | 25,521,708 | 27,520,656 | 29,660,687 |
| <u>DEBT SERVICE</u> | | | | | | |
| Existing Non-Exempt General Fund Debt | 2,836,285 | 2,736,686 | 2,238,146 | 1,881,317 | 1,686,134 | 1,632,289 <i>Existing debt service as of 6/30/03 refunding issue (excludes Prop 2 1/2 exempt debt)</i> |
| Appropriated/Not Borrowed Non- Exempt Gener | 187,000 | 608,000 | 928,000 | 1,428,000 | 1,390,000 | 1,353,000 <i>Estimate of Non-Exempt Debt Service not yet borrowed</i> |
| CIP Proposed FY2005 | | | | | | <i>To be determined</i> |
| General Fund Bond Issue Expense | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 | 80,000 |
| Appropriated/Not Borrowed Exempt | 517,000 | 620,000 | 1,152,000 | 2,391,000 | 2,042,000 | 1,993,000 <i>Estimate of Exempt Debt Service not yet borrowed</i> |
| Existing Exempt Debt - School and Public Safet | <u>5,380,292</u> | <u>4,964,627</u> | <u>4,819,977</u> | <u>4,742,092</u> | <u>4,609,904</u> | <u>4,459,254</u> <i>Existing Proposition 2 1/2 exempt debt service costs</i> |
| TOTAL | 9,000,577 | 9,009,313 | 9,218,123 | 10,522,409 | 9,808,038 | 9,517,543 |
| <u>JOINT EXPENSES</u> | | | | | | |
| Human Resources | 359,619 | 366,811 | 377,815 | 389,150 | 400,824 | 412,849 <i>Estimate to be included in School FY2005 budget</i> |
| Plant and Facilities | 2,438,918 | 2,438,918 | 2,512,086 | 2,587,448 | 2,665,072 | 2,745,024 <i>Estimate to be included in Town FY2005 Budget</i> |
| Capital Projects Fund | <u>1,751,000</u> | <u>2,316,836</u> | <u>2,379,782</u> | <u>2,475,186</u> | <u>2,539,746</u> | <u>2,611,999</u> <i>Included in P and F CIP budget</i> |
| TOTAL | 4,549,537 | 5,122,565 | 5,269,683 | 5,451,784 | 5,605,641 | 5,769,871 |
| <u>OFFSET EXPENDITURES</u> | | | | | | |
| | | | | | | <i>Expenditures are offset by dedicated revenues</i> |
| Community Services | 507,000 | 507,000 | 507,000 | 507,000 | 507,000 | 507,000 |
| Elder Services | 162,000 | 162,000 | 147,010 | 147,010 | 147,010 | 147,010 |
| Community Development | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 | 6,000 |
| Fire | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 | 700,000 |
| Police | 189,707 | 189,707 | 152,707 | 152,707 | 152,707 | 152,707 |
| Cemetery | 155,000 | 155,000 | 155,000 | 155,000 | 155,000 | 155,000 |
| Medicaid services | <u>40,000</u> | <u>40,000</u> | <u>40,000</u> | <u>40,000</u> | <u>40,000</u> | <u>40,000</u> |
| TOTAL | 1,759,707 | 1,759,707 | 1,707,717 | 1,707,717 | 1,707,717 | 1,707,717 |
| <u>ARTICLES</u> | | | | | | |
| From Free Cash | 1,649,775 | 600,000 | 600,000 | 600,000 | 600,000 | 600,000 <i>For Capital Projects and other warrant articles</i> |
| From Taxation | 0 | 25,000 | 25,000 | 25,000 | 25,000 | 25,000 <i>Elderly/disabled transportation program</i> |
| Other Available Funds | <u>433,725</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| TOTAL | 2,083,500 | 625,000 | 625,000 | 625,000 | 625,000 | 625,000 |
| * TOTAL DEDUCTIONS * | 36,700,570 | 38,503,585 | 40,513,856 | 43,828,618 | 45,267,053 | 47,280,818 |
| BALANCE FOR OPERATIONS | 66,364,314 | 65,338,236 | 66,475,245 | 67,930,675 | 69,720,223 | 71,319,110 <i>Amount available for operating budget</i> |
| OPERATING BUDGET | | | | | | |
| INCREASE OVER PRIOR YEAR | -1.03% | -1.55% | 1.74% | 2.19% | 2.63% | 2.29% <i>Available % increase from prior year</i> |

BUDGET MODEL GLOSSARY

REVENUES

PROPERTY TAXES

Proposition 2 ½ as amended limits the total property tax levy to a maximum increase of 2½ % over the prior year's levy limit plus an amount allowed for new construction in town. Base is related to the prior year's actual property tax levy and levy limit. New Growth shows the taxes anticipated from new building in town during the prior fiscal year. The growth figure is calculated using the prior year's tax rates. Additional amounts may be added for overrides through ballot votes and permanently increase the levy limit.

ADDITIONAL PROPERTY TAXES

Proposition 2 ½ allows communities, by ballot vote, to raise additional property taxes for specific purposes for a limited time. Property taxes can be raised to fund the debt service costs of these specific projects (less State reimbursement).

STATE AID

Funds received from the State on the Cherry Sheet are based on a variety of formulas and the level of funding is determined each year by the State Legislature.

Chapter 70 - Chapter 70 School Aid is based upon a distribution formula adopted in FY1994. The amount of money Andover receives each year from the state depends both on how much is available for local aid and the distribution formula for those funds.

Education Offset Items - This program provides partial reimbursement for costs incurred in serving lunches to school children. While these funds are not appropriated by Town Meeting (i.e. lunch program money earmarked for specific purposes), they are included in the Budget Model to keep it consistent with the Cherry Sheet. The expenditure of these funds is shown on the School line under Offset Expenditures.

Education Reimbursements - Provides partial reimbursement for local expenditures for school transportation programs and costs for providing education to state wards.

Education Reimbursement SBAB - State share of school construction costs. Andover will receive 60% reimbursement for debt services costs for its school building projects.

General Government Offset Items - Chapter 78 funds for public libraries. The expenditure of these funds is included under Offset Expenditures, Library.

General Government Distribution - Funds from a variety of programs including Regional Library money, Police Career Incentive, Highway Funds, Andover's share of Lottery proceeds, and state reimbursements for certain exemptions and state-owned land. The amount included here for the Regional Library System is matched by the Regional Library appropriation under Obligations.

GENERAL LOCAL REVENUES

Motor Vehicle Excise - Limited by Proposition 2 ½ to \$25 per \$1,000 valuation, the revenue from this tax is directly related to the number and value of motor vehicles registered in town.

Licenses - Included are fees from licenses granted by the Board of Selectmen, fees collected for building permits and licenses granted by the police and fire departments and Town Clerk. The majority of this revenue is directly related to the amount of construction in town.

BUDGET MODEL GLOSSARY

GENERAL LOCAL REVENUES CONTINUED

Penalties/Interest - Interest and penalty charges for late payment of taxes.

Fines - Revenues from motor vehicles violations, court fines and parking tickets.

General Government - Fees for services provided by various town offices such as copies of public records, certificates of liens, tax title redemptions, etc.

Fees - Fees collected by the various offices.

Schools - Fees collected by the School Department.

Investment Income - Revenue generated by the Town Treasurer by investing town funds. This revenue is directly related to the level of cash balances and market interest rates.

Hotel/Motel Excise - Revenue from the 4% room occupancy tax voted by the 1986 Town Meeting.

Library - Miscellaneous library fees.

Cemetery - Fees collected by Spring Grove Cemetery not reserved for perpetual care.

Miscellaneous - Housing Authority payments in lieu of taxes, reimbursements for Veterans expenses, and miscellaneous School Department income.

OFFSET LOCAL REVENUES

Community Services and Elder Services - Income from programs run by the Departments of Community Services and Elder Services. The portion of departmental operating costs covered by these revenues is shown under Offset Expenditures, Community Services/Elder Services. These funds are appropriated in the General Government budget.

Municipal Facilities - Fees from rental of Town and School buildings are used to offset the costs of the Municipal Buildings budget. These funds are appropriated in the Plant and Facilities budget.

Police Grants -

Police Off-duty Fee -

Medicaid Reimbursement -

Ambulance - Income from ambulance fees is used to offset the cost of providing ambulance service. The portion of the Fire Department budget covered by these fees is shown under Offset Expenditures, Fire.

ENTERPRISE FUNDS INDIRECT COSTS

Water - The Board of Selectmen has adopted the policy of establishing water rates for a self-sufficient water system. All capital, operating and indirect costs of Andover's water system will be covered by water revenues. Debt service for water mains and the water treatment plant is shown under Debt Service. Water Department operating costs are shown under Offset Expenditures, Water Division. Indirect costs for such things as health insurance for water department employees, billing and accounting, etc., are included in other departmental budgets and are included in the cost analysis when water rates are set.

BUDGET MODEL GLOSSARY

Sewer - The Board of Selectmen has adopted a policy of establishing sewer rates for a self-sufficient sewer system. All sewer capital, operating and indirect costs will be covered by sewer revenues. Debt service for sewer projects is shown under Debt Service. Sewer Department operating costs, including Andover's share of the costs of the Greater Lawrence Sanitary District, appear under Offset Expenditures, Sewer Division. Indirect costs are funded in other departmental budgets and are included in the cost analysis when sewer rates are set.

OTHER AVAILABLE FUNDS

Off-Street Parking Fund - Revenues from parking meters are used to offset the salary of the meter person plus parking related expenses which are appropriated in the Police Budget.

MVLC/Library Aid - Fees charged member communities of the Merrimack Valley Library Consortium for their shares of the operating costs of the library computer and state aid to public libraries. These funds are included on the expenditure side of the model under Offset Expenditures, Library, and appropriated in the Library budget.

Cemetery Interest/Lots - Perpetual Care interest income and income from sale of lots is used to offset a portion of the operating costs of the Spring Grove Cemetery. These funds are appropriated in the Plant and Facilities Budget.

Wetland Filing Fees - Funds reserved for use by the Community Development Office to offset conservation and wetland protection costs.

FREE CASH

The State certifies a certain portion of a town's surplus revenues as legally available for spending by Town Meeting. This amount is known as Free Cash. Articles matches the Articles/Free Cash line on the expenditure side of the model. Andover has tried to maintain a Free Cash certification of 3-5% of total budget as a reserve which can be tapped in case of emergency and to provide enough cash in the bank to meet payrolls and pay the bills without having to borrow in anticipation of taxes. The 3-5% goal is a widely accepted measure of good financial standing and a factor in Andover's bond rating. The recommendation about the use of Free Cash is based on actual revenue collections for the current fiscal year and the adopted goal of the Board of Selectmen.

EXPENDITURES

Note: All joint or so-called "bucket" expenditures are subtracted first from total revenues, and are either fixed by some outside authority, totally supported by earmarked revenues, or designated as general obligations of the community by agreement of the Board of Selectmen, School Committee, and Finance Committee.

OBLIGATIONS

Retirement - Expenses for pensions for retired town and school employees (except teachers). There are specific line items voted by Town Meeting for retirement expenses. The amount budgeted is determined by the Public Employee Retirement Administration, a state agency, and is based on the Town's funding schedule. Costs for the Town's share of the teachers early retirement incentive program are also included. Budgeting and administration are the responsibility of the Retirement Board.

Insurance - The combined costs of all insurance policies for both Town and Schools and unemployment compensation. There are specific line items voted by Town Meeting for these purposes. Budgeting and administration are the responsibility of the Town Manager.

BUDGET MODEL GLOSSARY

Health Insurance - The Town share of health insurance costs for all Town and School employees and retirees (except teachers). Town Meeting votes a specific appropriation for the Health Insurance Fund. The level of benefits offered to Town and School employees is set through collective bargaining. Budgeting and administration are responsibilities of the Town Manager.

State/County Assessments - Cherry Sheet charges for Andover's share of the costs of Essex County, the Regional Transit Authority, and other State assessments (including cost of retired teachers' health insurance). These funds are not appropriated by Town Meeting.

Overlay - An amount which must be held in reserve for property tax abatements and exemptions. It is greater in revaluation years. These funds are not appropriated by Town Meeting. The amount is determined by the Board of Assessors and included in the calculation of the tax rate.

GLTHS - Andover's share of the costs of the Greater Lawrence Technical High School. The regional school budget is prepared by the regional school committee. Town Meeting votes a specific appropriation for this purpose.

Regional Library - The operating cost for the Regional Library System headquartered in Andover. The dollar amount matches the Regional Library revenue from the State. It is appropriated by Town Meeting as part of the Library budget.

Stabilization Fund - Money that is set aside each year for future needs. Town Meeting votes a specific appropriation for this purpose.

Special Education - Out of District - Tuition and transportation costs for special needs students whose education plans require special placements because appropriate programs are not available in the Andover Public Schools. Budgeting and administration are responsibilities of the School Committee. The funds are appropriated by Town Meeting in the School Budget.

Other Local Expenditures - Miscellaneous tax title expenses, court judgments, etc., which are added to the amount needed to be raised by the Town when the tax rate is set. Revenue and overlay deficits appear in this line. Over expenditures for snow removal or debt service would also show up here. These funds are not appropriated by Town Meeting.

DEBT SERVICE

These lines include all payments due in the current fiscal year on bonds for all capital projects for both Town and Schools, long term lease obligations for the Town Offices and the Library, short term interest expenses and debt issuing expenses. Debt service for water and sewer projects is shown separately so that total water and sewer costs can be compared with revenues from water and sewer user fees. Also shown separately is debt service for projects approved with debt exclusion overrides of Proposition 2 ½ . Town Meeting appropriates specific amounts for principal and interest expenses. The Town Manager is responsible for budgeting and management of the Town's debt service.

JOINT EXPENSES

Human Resources - The salaries and expenses for the Personnel Department which serves both Town and Schools (excluding the School's substitute coordinator). The appropriation for this purpose can be found in the School Budget.

JOINT EXPENSES CONTINUED

BUDGET MODEL GLOSSARY

Plant and Facilities Operations - Salaries and expenses for Plant and Facilities Administration, Building Maintenance, and Plumbing, Heat, and Electrical divisions of the Plant and Facilities Department. The other divisions (Parks and Grounds, Forestry, Cemetery and Vehicle Maintenance) are included in the Town Operating Budget. The Plant and Facilities appropriation voted by Town Meeting covers both the "bucket" and town shares of the departmental costs as well as funding for Municipal Buildings and Maintenance Projects. The Town Manager has responsibility for budgeting and administration.

Capital Projects Fund - An amount appropriated each year for scheduled building repair, equipment, or improvement projects. These funds are included in the appropriation for Plant and Facilities. The Town Manager has responsibility for budgeting and administration. The policies determining the total amount to be budgeted for Maintenance Projects and selection of specific projects for funding are determined by the Board of Selectmen with the Town Manager in the Capital planning process.

OFFSET EXPENDITURES

Each of these lines is offset by funds from a specific revenue source identified on the Revenue side of the Budget Model. The amount under School is not appropriated by Town Meeting and therefore is not included in the School Budget. It is administered by the School Department. Water and sewer operating costs are totally funded with water and sewer user fees. Funds for water and sewer operating costs are appropriated by Town Meeting in the Public Works Budget. Revolving funds are authorized by Town Meeting on an annual basis for specific purposes. Expenses must be offset by revenues. The amounts shown for Community Services, Council on Aging, Fire, Library and Cemetery match revenues budgeted for those purposes. The balances of the operating costs for those departments are included in the Town Operating Budget allocation. The funds for Community Services are included in the General Government appropriation voted by Town Meeting. Council on Aging is the state formula grant which partially funds the full-time activities coordinator. Fire is the portion of ambulance costs covered by user fees and is included in the Public Safety appropriation. Police includes the salary of the parking meter person and related expenses. Cemetery expenses offset by revenues are included in the Plant and Facilities appropriation. Medicaid is the reimbursement for services provided to students and is appropriated in the School Department. Budgeting and administration of all these offset expenditures, with the exception of the School offset lines, are responsibilities of the Town Manager. Policies determining the level of funding are controlled by the Board of Selectmen.

ARTICLES

The amount allocated for warrant articles has usually matched the amount shown for that purpose under Free Cash. It is also possible to fund warrant articles from taxation, bonding, transfers of unexpended balances, grants, trust funds, etc. If an article were funded from taxation, this line would not match the Free Cash/Articles line. Projects funded by bonding affect future debt service expenses.

BALANCE FOR OPERATIONS

This is the amount available for Town and School operations. The percentage increase over what was available for the prior fiscal year is calculated. Town and Schools each get the same percentage increase. Usually the School Budget is calculated first because it is simpler. The Town departmental budgets share the balance. This allocation is reviewed annually. Special circumstances in a particular year may result in an adjustment allocating a larger percentage increase to either Town or Schools.

BUDGET MODEL GLOSSARY

SCHOOL SHARE & TOWN SHARE

The following calculation is used to arrive at equal percentage increases for the School and Town operating budgets.

1. Take prior year's School Budget
2. Subtract Joint Expenditures included in that year's School Budget (Personnel)
3. Subtract Medicaid.
4. Subtract Special Education Out of District and Transportation costs included in that year=s budget.
5. Add percentage increase for Balance Available. The result is the School share of the bottom line.
6. Add Joint Expenditures for this year (Personnel)
7. Add Special Education Out of District and Transportation Budget for this year.
8. Add Medicaid.
9. Total is School Budget appropriation

ARTICLE 4

2003 TOWN MEETING - FY2004 OPERATING BUDGET

| LINE ITEM | | ACTUAL FY 2001 | ACTUAL FY 2002 | APPROP. FY 2003 | ESTIMATED FY 2003 | TOWN MTG APPROVED FY 2004 |
|---|-----------------------|-------------------|-------------------|--------------------|----------------------|---------------------------------|
| GENERAL GOVERNMENT | | | | | | |
| 1 | PERSONAL SERVICES | 1,785,142 | 1,758,888 | 1,784,623 | 1,880,000 | 1,858,179 |
| 2 | OTHER EXPENSES | 954,984 | 936,194 | 1,044,871 | 1,044,871 | 1,002,285 |
| | TOTAL | 2,740,126 | 2,695,082 | 2,829,494 | 2,924,871 | 2,860,464 |
| COMMUNITY DEVELOPMENT | | | | | | |
| 3 | PERSONAL SERVICES | 1,148,524 | 1,148,735 | 1,128,247 | 1,160,000 | 1,135,087 |
| 4 | OTHER EXPENSES | 152,739 | 125,772 | 131,925 | 131,925 | 107,200 |
| | TOTAL | 1,301,263 | 1,274,507 | 1,260,172 | 1,291,925 | 1,242,287 |
| Line item 3 includes \$6,000 in receipts from wetland filing fees. | | | | | | |
| COMMUNITY SERVICES | | | | | | |
| 5 | PERSONAL SERVICES | 496,675 | 589,602 | 564,349 | 620,000 | 586,627 |
| 6 | OTHER EXPENSES | 351,006 | 291,213 | 306,545 | 306,545 | 283,345 |
| | TOTAL | 847,681 | 880,815 | 870,894 | 926,545 | 869,972 |
| Line item 5 and line item 6 include \$273,355 and \$233,645 respectively in receipts from programs and activities. | | | | | | |
| ELDER SERVICES | | | | | | |
| 7 | PERSONAL SERVICES | 560,523 | 546,361 | 553,928 | 598,000 | 579,363 |
| 8 | OTHER EXPENSES | 153,744 | 116,027 | 127,700 | 127,700 | 114,000 |
| | TOTAL | 714,267 | 662,388 | 681,628 | 725,700 | 693,363 |
| Line item 7 includes \$45,000 in federal grants, \$40,000 in grants and \$77,000 in meals donations, adult day receipts and newsletter ads. | | | | | | |
| PLANT AND FACILITIES | | | | | | |
| 9 | PERSONAL SERVICES | 2,450,631 | 2,476,593 | 2,680,319 | 2,710,000 | 2,799,301 |
| 10A | OTHER EXPENSES | 1,187,855 | 1,239,120 | 1,279,950 | 1,279,950 | 1,144,560 |
| 10B | CAPITAL PROJECTS FUND | 2,036,739 | 1,972,148 | 2,252,000 | 1,942,000 | 1,660,000 |
| | TOTAL | 5,675,225 | 5,687,861 | 6,212,269 | 5,931,950 | 5,603,861 |
| Line item 9 includes \$100,000 in rental receipts, \$80,000 from perpetual care and \$45,000 from sale of lots. | | | | | | |
| Line item 10A includes \$30,000 from perpetual care | | | | | | |
| PUBLIC SAFETY | | | | | | |
| 11 | PERSONAL SERVICES | 9,563,252 | 9,806,840 | 9,917,305 | 10,570,000 | 10,776,183 |
| 12 | OTHER EXPENSES | 683,420 | 673,029 | 782,410 | 782,410 | 852,411 |
| | TOTAL | 10,246,672 | 10,479,869 | 10,699,715 | 11,352,410 | 11,628,594 |
| Line item 11 includes: \$50,000 - grants, \$60,000 - detail fees, \$68,107 - parking receipts and \$700,000 - ambulance collections | | | | | | |
| Line item 12 includes \$11,600 from parking meter receipts. | | | | | | |
| PUBLIC WORKS | | | | | | |
| 13 | PERSONAL SERVICES | 1,518,725 | 1,417,362 | 1,399,192 | 1,600,000 | 1,414,940 |
| 14 | OTHER EXPENSES | 5,085,606 | 3,595,995 | 4,096,050 | 4,800,000 | 3,809,250 |
| | TOTAL | 6,604,331 | 5,013,357 | 5,495,242 | 6,400,000 | 5,224,190 |

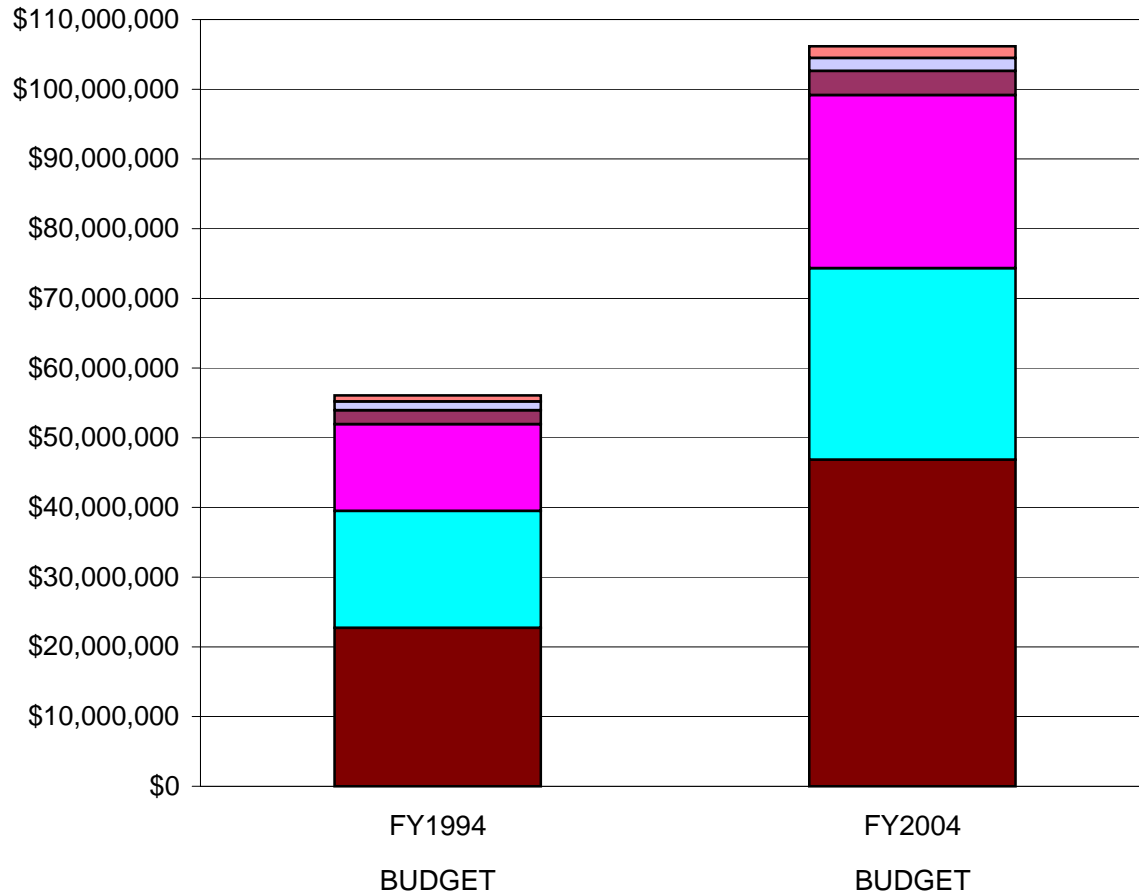
ARTICLE 4

2003 TOWN MEETING - FY2004 OPERATING BUDGET

| LINE ITEM | | ACTUAL FY 2001 | ACTUAL FY 2002 | APPROP. FY 2003 | ESTIMATED FY 2003 | TOWN MTG APPROVED FY 2004 |
|---|--------------------------------|-------------------|-------------------|--------------------|----------------------|---------------------------------|
| | SEWER | | | | | |
| 15 | PERSONAL SERVICES | 229,373 | 251,145 | 329,952 | 329,952 | 329,532 |
| 16 | OTHER EXPENSES | 1,211,398 | 1,325,160 | 1,591,900 | 1,591,900 | 1,545,300 |
| | TOTAL | 1,440,771 | 1,576,305 | 1,921,852 | 1,921,852 | 1,874,832 |
| | WATER | | | | | |
| 17 | PERSONAL SERVICES | 1,305,305 | 1,346,054 | 1,549,625 | 1,549,625 | 1,531,854 |
| 18 | OTHER EXPENSES | 1,603,885 | 1,767,658 | 1,885,725 | 1,885,725 | 1,926,725 |
| | TOTAL | 2,909,190 | 3,113,712 | 3,435,350 | 3,435,350 | 3,458,579 |
| | LIBRARY | | | | | |
| 19 | PERSONAL SERVICES | 1,811,877 | 1,744,280 | 1,717,764 | 1,705,000 | 1,708,396 |
| 20 | OTHER EXPENSES | 603,039 | 637,484 | 644,600 | 544,000 | 522,800 |
| | TOTAL | 2,414,916 | 2,381,764 | 2,362,364 | 2,249,000 | 2,231,196 |
| | UNCLASSIFIED | | | | | |
| 21 | COMPENSATION FUND | | | 1,193,000 | | 400,000 |
| 22 | RESERVE FUND | | | 200,000 | | 200,000 |
| | TOTAL | | | 1,393,000 | | 600,000 |
| | ANDOVER SCHOOL DEPT | | | | | |
| 23 | PERSONAL SERVICES | 31,936,787 | 34,338,586 | 36,651,511 | 36,503,818 | 37,031,391 |
| 24 | OTHER EXPENSES | 7,916,482 | 9,197,168 | 10,167,995 | 10,531,317 | 9,856,875 |
| | TOTAL | 39,853,269 | 43,535,754 | 46,819,506 | 47,035,135 | 46,888,266 |
| Line item 24 includes \$40,000 in insurance collections for student services. | | | | | | |
| | GR LAW TECH SCHOOL | | | | | |
| 25 | GR LAW ASSESSMENT | 159,847 | 73,882 | 75,729 | 75,729 | 148,958 |
| | TOTAL | 159,847 | 73,882 | 75,729 | 75,729 | 148,958 |
| | FIXED | | | | | |
| 26 | INTEREST EXPENSE | 3,346,165 | 3,743,640 | 4,748,243 | 4,748,243 | 4,736,818 |
| 27 | BOND REDEMPTION | 6,510,000 | 7,110,000 | 7,938,000 | 7,938,000 | 8,090,000 |
| 28 | STABILIZATION FUND | 50,000 | 74,769 | 0 | 0 | 0 |
| 29 | GENERAL INSURANCE | 526,713 | 541,800 | 625,000 | 675,000 | 736,000 |
| 30 | UNEMPLOYMENT COMP. | | | | | 500,000 |
| 31 | RETIREMENT FUND | 3,686,244 | 3,823,848 | 3,554,704 | 3,554,704 | 3,658,024 |
| 32 | HEALTH INSURANCE FUND | 3,525,000 | 4,000,000 | 4,255,000 | 6,000,000 | 6,975,000 |
| | TOTAL | 17,644,122 | 19,294,057 | 21,120,947 | 22,915,947 | 24,695,842 |
| | GRAND TOTAL | 92,551,680 | 96,669,353 | 105,178,162 | 107,186,414 | 108,020,404 |
| | less dedicated Revenues | (2,082,604) | (1,642,750) | (2,253,991) | (2,253,991) | (1,859,707) |
| | NET TOTAL | 90,469,076 | 95,026,603 | 102,924,171 | 104,932,423 | 106,160,697 |

Article 4 Budget Appropriations (Net)

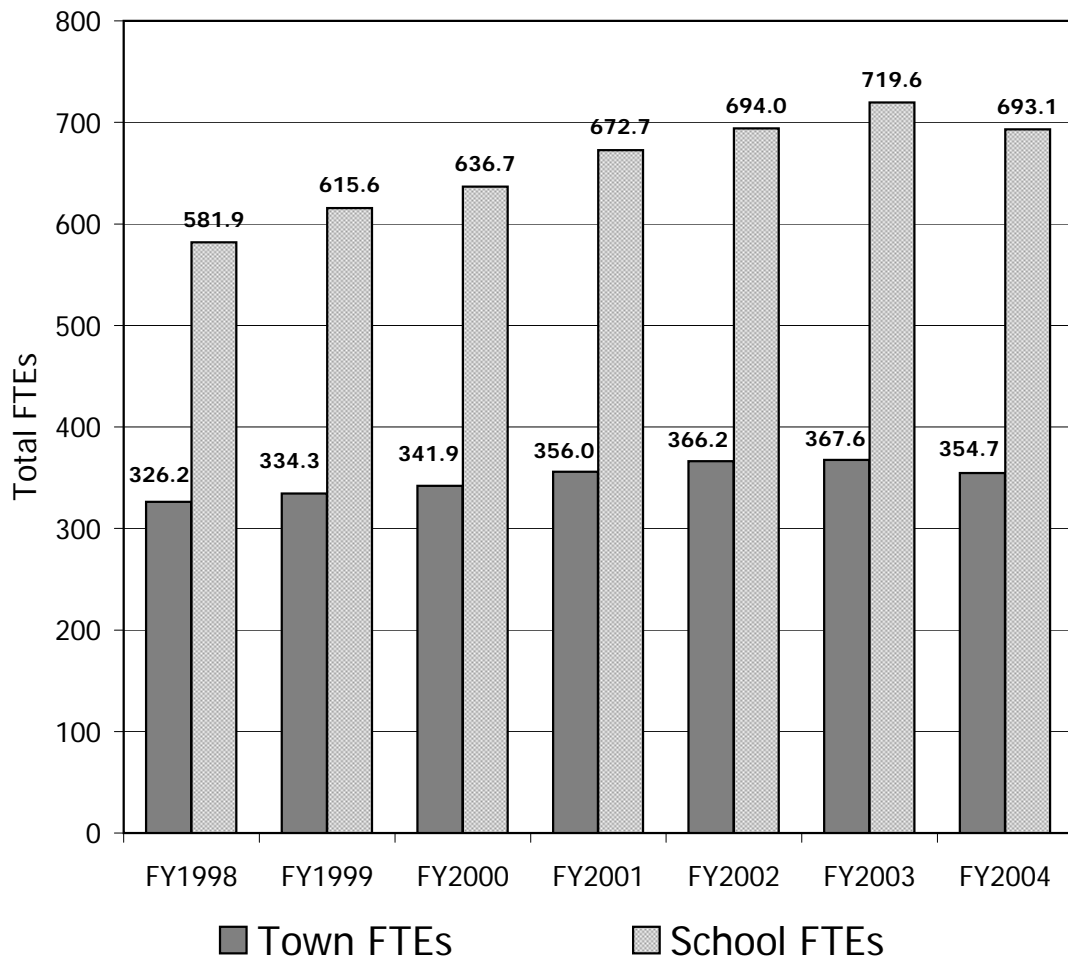
Total & Proportional Change FY1994 - FY2004



| | BUDGET <u>FY1994</u> | BUDGET <u>FY2004</u> | % CHANGE <u>FY94-FY04</u> |
|-------------------------------|--------------------------------|---------------------------------|------------------------------|
| Capital Improvements Projects | \$881,000 1.6% | \$1,660,000 1.6% | 88.4% -0.5% |
| Sewer Enterprise | \$1,254,627 2.2% | \$1,874,832 1.8% | 49.4% -21.1% |
| Water Enterprise | \$1,988,553 3.5% | \$3,458,579 3.3% | 73.9% -8.1% |
| Fixed & GLTHS | \$12,454,649 22.2% | \$24,844,800 23.4% | 99.5% 5.4% |
| Town Departments | \$16,781,511 29.9% | \$27,474,220 25.9% | 63.7% -13.5% |
| School Department | \$22,722,068 40.5% | \$46,848,266 44.1% | 106.2% 8.9% |
| NET OPERATING BUDGET | \$56,082,408 100.0% | \$106,160,697 100.0% | 89.3% 0.0% |

Note: Does not include supplemental appropriations, transfers, or retained revenues.

Town & School Employees (FTEs) FY1998-FY2004



FISCAL YEAR

| | <u>FY1998</u> | <u>FY1999</u> | <u>FY2000</u> | <u>FY2001</u> | <u>FY2002</u> | <u>Budget FY2003</u> | <u>Budget FY2004</u> |
|--------------------|---------------|---------------|---------------|---------------|---------------|--------------------------|--------------------------|
| Gen Gov. | 61.9 | 67.3 | 68.5 | 74.6 | 76.7 | 76.9 | 74.0 |
| Library | 32.6 | 32.7 | 32.6 | 33.6 | 33.6 | 32.6 | 30.4 |
| DPW | 47.6 | 47.6 | 48.6 | 50.6 | 53.2 | 54.4 | 52.4 |
| Fire | 68.7 | 69.8 | 72.8 | 72.8 | 74.0 | 74.0 | 72.5 |
| Police | 64.0 | 65.0 | 67.5 | 70.5 | 73.5 | 74.5 | 72.5 |
| Plant & Facilities | 51.4 | 51.9 | 51.9 | 53.9 | 55.2 | 55.2 | 52.9 |
| Town FTEs | 326.2 | 334.3 | 341.9 | 356.0 | 366.2 | 367.6 | 354.7 |
| School FTEs | 581.9 | 615.6 | 636.7 | 672.7 | 694.0 | 719.6 | 693.1 |